BAIRD
Private Wealth Management

Strategas Daily Macro Brief

January 19, 2021

Prepared by Strategas Securities, a Baird Company

INDEX EPS GROWTH ESTIMATES IMPROVE AFTER JUST 5% REPORT

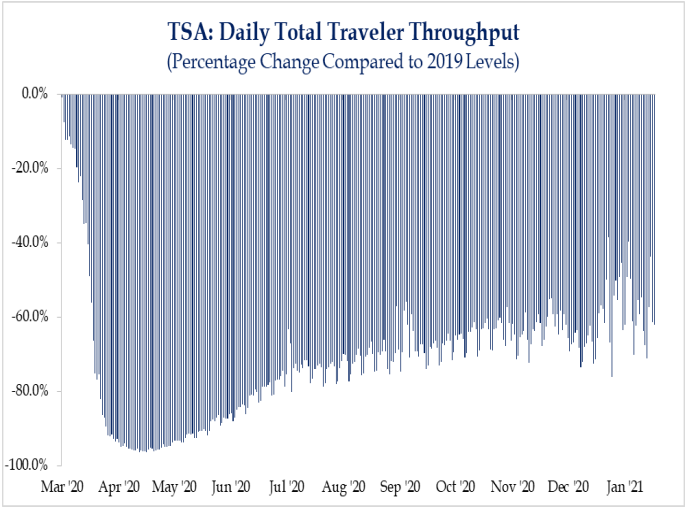
Earnings season kicked off last week, and after just 5% of companies reported, the quarter's expected growth rate improved from -10.3% to -7.8%. This expected growth rate remains well below the estimates before the pandemic but is moving in the right direction. Perhaps once again, the bar is too low for 4Q earnings, and we could be in store for another surprise quarter.

S&P 500 4th Quarter Earnings Scorecard

	Sales Growth (Y/Y%)		Earnings Growth (Y/Y%)		# Reported
	Jan. 1	Jan. 15	Jan. 1	Jan. 15	
S&P 500	-1.4%	-1.2%	-10.3%	-7.8%	26/500
Discretionary	8.0%	8.2%	-22.6%	-21.9%	5/60
Staples	4.2%	4.5%	-0.5%	1.0%	6/32
Energy	-33.8%	-34.6%	-98.3%	-101.8%	0/25
Financials	-9.9%	-8.8%	-6.6%	6.9%	6/65
Health Care	9.8%	10.1%	3.4%	4.2%	0/63
Industrials	-12.3%	-12.2%	-41.7%	-42.3%	4/73
Materials	-1.4%	-1.1%	6.1%	8.9%	0/28
Real Estate	-4.8%	-4.8%	-11.9%	-12.1%	0/30
Technology	6.0%	6.2%	3.7%	4.1%	5/74
Communications	2.0%	2.1%	-12.5%	-12.3%	0/22
Utilities	5.1%	4.8%	-3.0%	-3.8%	0/28

DELTA'S CORPORATE TRAVEL SURVEY SUGGESTS 50% BACK TO 2019 LEVELS BY 2023

We've been discussing our belief that there is pent-up demand for travel this year, and in Delta's earnings call last week, they discussed the results from their most recent corporate survey. The bottom line is that 40% of their big corporate customers indicated they expect to be fully back to 2019 levels by 2022, with another 11% by 2023. Only 7% said we'll never be back to 2019 levels, and the remaining 42% said they needed more time to figure it out.



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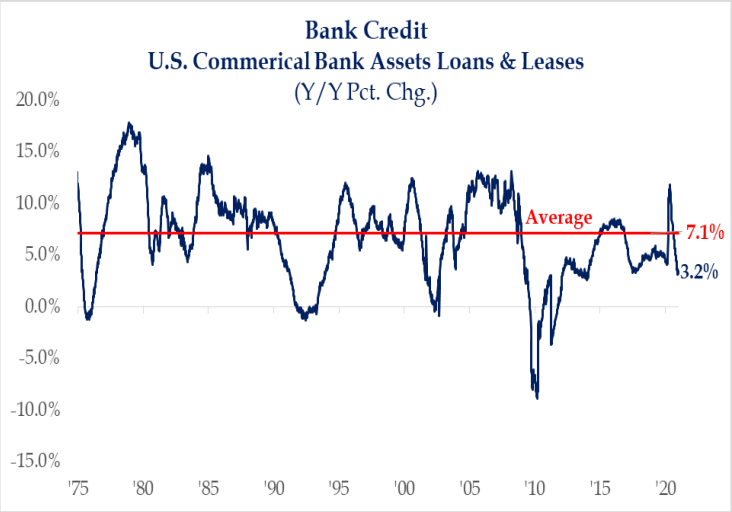
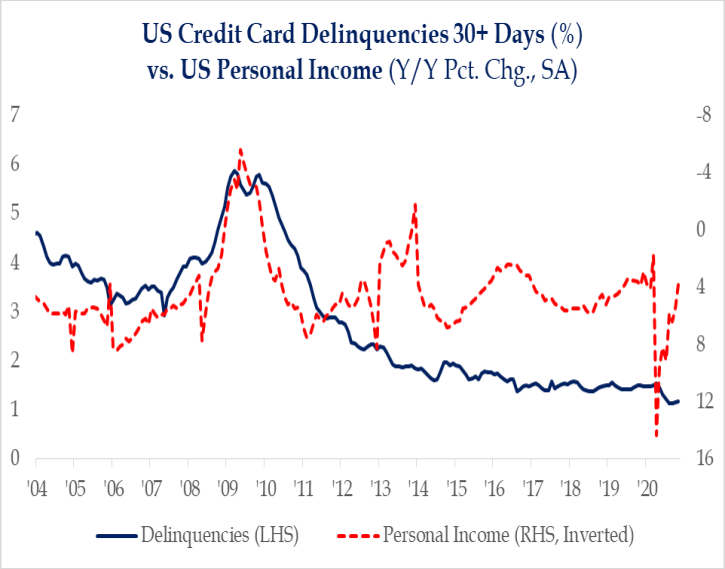
FINANCIALS ONLY BENEFIT FROM STEEPER YIELD CURVE IF LOAN GROWTH RISES

From a macro perspective, there is a lot of talk about how a steeper yield curve and higher interest rates should overall benefit the financial sector. While this is true, the true benefit only comes if there is loan growth. To that end, there are some near-term headwinds banks face, with corporate cash being at all-time high levels and home lending continuing to see elevated levels of prepayments.



IS THE BRIDGE LONG ENOUGH?

While early in the quarter, it appears that net charge-offs for credit cards will remain low, and the fact that more stimulus is coming suggests we will not see a major uptick in the first half. The fiscal stimulus intended to bridge the gap for consumers as activity normalized following the shutdowns appears to have achieved its goal. The question that has to be addressed is whether or not the bridge is long enough, or are we simply kicking the can down the road.



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